

FREQUENTLY ASKED QUESTIONS

Updated 2/14/06

1. If we receive a loan from the MBDA through this program, would we also be able to apply to the Federal Government for grant money?

Answer: We don't believe there are any restrictions on the RUS grant program that would disqualify you if you received an MBDA loan. However, we would encourage you to visit their website at: www.usda.gov/rus/telecom for further clarification. We understand that most broadband providers applying for RUS grants have some sort of bank or lender debt on their books.

2. What if the area my company wishes to expand into is not identified as a target area in Appendix A (Map) of the RFP? Can I still borrow MBDA funds for expansions in these areas?

Answer: The referenced map is for general guidance only. As explained in the following question, in order to qualify for a loan a provider must have a local government official certify that the area they are proposing to invest in is "underserved," meaning affordable broadband service is not widely available in the area.

3. To qualify for a Rural Broadband Initiative loan, providers must have a local government official certify that the area they are proposing to invest in is "underserved," meaning affordable broadband service is not widely available in the area. How can a local government official assess whether or not broadband services are widely available in their community?

Answer: There is no "minimum percentage covered" test that needs to be met in order to determine that an area is underserved. If there are known areas of the region that do not have available access, officials may sign a certification. During the loan application approval process, the MBDA will review the "underserved" nature of the proposed investment areas from applicants. The Rural Broadband Initiative is a competitive program with no more than \$17 million being made available. Therefore, those areas that are judged as being the most "underserved" will rank higher in determining where funds will be distributed.

Given the desired partnerships and local participation desired (as explained in the RFP), a local certification process was determined to be the best starting point for qualifying an area as "underserved" for the loan program. By asking local leaders to deem their area in need, it is hoped that the Rural Broadband Initiative is more responsive and targeted to those areas needing the most assistance.

A broadband provider seeking an underserved certification from a local government should provide evidence to local officials that there is not an alternative broadband service that is widely available. Ultimately, however, an official should use his or her own best judgment, based on their familiarity with the community, as to the availability of services.

4. Do all local “underserved” certification forms need to be submitted by February 28th along with the full loan application in order for those areas to be eligible for financing?

Answer: The MBDA understands that there may be unforeseen delays in obtaining certifications in some regions that providers are targeting. Providers are encouraged to delineate all of their intended targets for expansion in their loan application, regardless of whether certifications have been obtained from each community or region. However, such certifications must be provided 30 days prior to the closing of a loan and lack of such information could impact consideration of the loan application during the competitive review process.

5. Must I attend the pre-bid workshop in order to submit an application?

Answer: No. Attendance is not required.

6. Will the materials I submit be kept confidential?

Answer: Yes, for information deemed proprietary. However, applicants must identify the specific information in their application that they wish to protect. The MBDA has an exemption from the State’s Freedom of Information Act (FOIA) in order to protect such information. Section 3.4 of the RFP provides a confidentiality form that providers must fill out. In filling out this form, applicants should be specific as to what information within their application is deemed to be proprietary. Applicants should NOT simply indicate that they wish to protect the entire application. For example, we cannot protect the name of the company and other information that might be available through public sources. MBDA staff will contact you if there are any questions or issues about the information you wish to protect.

7. Does the MBDA anticipate extending the February 28th deadline for loan applications?

Answer: No. Given the limited availability of funds we expect the demand for financing to exceed the \$17 million that is available.

8. We are looking at purchasing another provider. When we apply for the RFP can we include the financing of the acquisition?

Answer: You may include this portion of your financing needs, but should be advised that given the competitive nature of the RBI, there may not be funds available for financing an acquisition of this nature. We may be able to provide financing for any broadband upgrades (if they qualify).

9. Do we have to provide service to the entire county in order to receive grant dollars referenced as being available in Marquette County?

Answer: It is possible that the county may consider applications that only provide service to portions of the county. However, ubiquitous service throughout the area is desired. Grant monies are only available for investments made in the five low to moderate-income communities targeted through this Digital Divide Investment Program.

10. Where do I find the list of companies that have already received financing from the MBDA?

Answer: Please visit our website at www.broadbandauthority.org. Near the bottom of the MBDA homepage under RESOURCES you will find the link to a document titled MBDA Borrower Information.

11. We currently serve most of our county with wireless Internet access up to 384k. To bring speeds up to 1 Megabit (as specified in the RFP) would require major upgrade of our access points, which we could do with additional financing. Would this situation be considered "underserved"?

Answer: Potentially. However, given the competitive nature of this RFP, new expansion activities may receive priority consideration over upgrades of existing broadband systems. It should also be noted that the 1 megabit capacity threshold mentioned in the RFP is a goal not an absolute requirement.

12. Can projects extend over an area larger than a single county?

Answer: Yes. There are no geographic size limitations on proposals.

13. Are the Marquette DDIP Pilot grant monies part of the offering of the RFP?

Answer: Potentially. Page # 5, Section # 1.2.6 of the RFP provides information about the townships where assistance might be available. If you are interested in serving these areas, you should contact Andrew Bek in Marquette County at 906.228.4143

14. Considering the limited focus of this program and the significant demand that still exists, is it envisioned that additional such programs will follow or that more conventional MBDA funding assistance might be available in conjunction with this program?

Answer: No. The MBDA has been restructured and does not anticipate making new loans after the conclusion of this initiative.

15. In the past, the MBDA has tended to fund specific projects that solve more focused broadband availability problems. This program seems to change that direction in that it appears to encourage applications that are designed around more broad-ranging and multi-technology initiatives. Is this a correct assessment and how will applications representing more broad-reaching initiatives be received?

Answer: There is no one technology solution being advocated by the MBDA for this program. However, with only \$17 million available for this program the most cost-efficient delivery models may have a competitive advantage.

16. Must the application be submitted by a specific vendor or can it be more of a consortium as implicated by some of the stated objectives? How might this affect evaluation of the project by the MBDA?

Answer: A consortium of vendors may apply. Evaluation of each consortium vendor may vary depending on how the loan ends up being structured.

17. How were the underserved areas determined on the map?

Answer: See Page 5 of the RFP (Section 1.2.5)

18. Do you expect the local government offices to know if they have broadband?

Answer: See question and answer #3 above. Local officials are becoming more aware of such deficiencies in their communities.

19. How does the MBDA distinguish between “Underutilized” and “Underserved”?

Answer: As is noted above, the MBDA is relying on local official help in determining the nature of broadband usage in their area. Beyond stating that it means affordable broadband is not widely available, we have not set specific numerical standards for what is “underserved.” As a competitive program, however, we can and will make judgments as to the underserved nature of the area (s) where vendors are seeking financing. For example, an area that has no service provider whatsoever will clearly be deemed more underserved than an area that may simply have small pockets where no service is available. In other words, there are degrees of difference or characteristics of regions that will rank some areas as more underserved than others. If there is greater demand for dollars than is available through this program, the most underserved areas will be given a preference during the review process.

20. Can you suggest an efficient way to deal with the large number of township officials?

Answer: We encourage you to contact the Michigan Township Association (MTA) at 517.321.6467. You may also want to contact the Michigan Association of Counties at 800.258.1152.

21. Can there be multiple providers in one area?

Answer: Potentially, yes. An existing provider may only be serving a portion or portions of a region. If this situation exists for the region you wish to expand into and you are able to get local certification as to the underserved nature of the area, a loan may be available—depending on the availability of financing and competitive review process noted above.

22. What if our company has recently expanded into an already designated underserved area? Will the MBDA be willing to refinance the equipment we have already deployed in these areas?

Answer: Since refinancing is allowed under our statute, the MBDA will consider refinancing proposals. However, given the limited availability of funds refinancing proposals, alone, may not be ranked as a high priority during the review process. It is suggested that any such request be part of an overall expansion plan that includes new underserved areas.

23. Will the MBDA loans be “revolving” in nature? That is, can we apply for a revolving loan that makes new dollars available as we pay down the loan?

Answer: No. The nature of the MBDA’s capital source will not allow such an arrangement. See pages 5-6 of the RFP for a description of expected loan terms.

24. What if an area is declared underserved now but isn't underserved once the loan is made?

Answer: If the area is deemed as underserved at the time of application and/or loan closing, the area will be considered underserved.

25. I see you are requesting year end financials from the past three years. What do we do if we are a startup company?

Answer: You should submit the most recent set of financials available. If you only have one or two years of financials given the age of your company, please submit those. You may still be considered. However, the MBDA has not typically lent to startups unless they can demonstrate their ability to immediately generate cash flow, having contracts or purchase agreements in-hand showing business growth.

26. We understand there is an effort in the State Legislature to push a bill that would eliminate the MBDA. Will it impact this lending program?

Answer: The Michigan Broadband Development Authority has been receiving numerous phone calls from companies who are interested in responding to the Rural Broadband Initiative (RBI) Request for Proposals, but who are concerned about media reports that the Legislature may be attempting to abolish the MBDA and its programs.

We want to assure you that while there is some reason for concern, we are confident that the RBI will move forward and we will be allowed to lend the currently available \$17 million for this initiative.

If you choose to discuss this matter further with your local members of the Legislature, you may obtain their contact information at http://house.michigan.gov/find_a_rep.asp and <http://www.senate.michigan.gov/findyoursenator/michiganfys.asp>.

27. What type of closing fees or costs will be attached to the loans that are issued by the MBDA under this program? Can any such costs be rolled into the loan amount?

Answer: The MBDA has, in the past, charged a 2 percent closing fee (1/4 point at time of commitment and 1 and 3/4 point at closing) as well as a onetime fee for legal expenses. While there may be a downward adjustment to these fees, for planning purposes applicants are advised that closing costs will not exceed 2 percent of the loan value. Further, please know that any such costs can, in fact, be rolled into the loan amount.